

OVERVIEW OF GOVERNOR'S FY 2004 GENERAL FUND RECOMMENDATIONS

Gov's FY 2004 Budget



The Governor released his FY 2004 budget recommendation on Friday, January 31. The Governor's FY 2004 General Fund appropriation recommendation is \$4.7 billion, an increase of \$230.5 million (5.2%) compared to estimated FY 2003. Two additional Governor's recommendations affect his proposed growth:

- If the Governor's FY 2003 supplemental recommendation is adopted, the FY 2004 increase is \$169.4 million (3.7%) compared to estimated FY 2003.
- The Governor's budget plan for FY 2004 has "re invention savings" of \$88.5 million, reducing planned FY 2004 expenditures. Factoring in the savings reduces the increase to \$80.9 million (1.8%) compared to estimated FY 2003.

FY 2003 Supplemental Appropriations Recommendation

The Governor is recommending General Fund supplemental appropriations for FY 2003 of \$61.1 million. This leaves an FY 2003 projected ending balance of \$1.5 million rather than \$6.31 million prior to any supplemental. The Governor is recommending the following supplementals:

- \$50.4 million to the Department of Human Services for the Medical Assistance Program and other programs.
- \$6.7 million to the Department of Corrections to restore furlough reductions and operational costs.
- \$2.3 million to the Department of Inspections and Appeals for Indigent Defense.
- \$1.7 million to the Department of Public Safety to restore furlough reductions.

Other Fund Supplemental – The Governor is recommending \$8.6 million from Senior Living Trust and \$7.0 million from Hospital Trust Fund to the Medical Assistance Program.

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FY 2004 Recommendation – Revenues

General Fund Revenues

The Governor's FY 2004 General Fund budget recommendation proposes revenue adjustments resulting in a net revenue increase of \$202.1 million. Most of these adjustments require legislative action. The largest revenue changes are:

- \$64.0 million Transfer of One-time Funds – The Governor is recommending transferring \$34.0 million from the Tobacco Endowment, \$20.0 million from the Rebuild Iowa Infrastructure Account, and \$10.0 million from the Underground Storage Tank Fund.
- \$47.3 million Cash Reserve Fund (CRF) to General Fund
- \$26.8 million Implementation of the Streamlined Sales Tax Project
- \$25.0 million Combined Corporate Tax Reporting
- \$25.0 million Changing Timing on Unclaimed Property
- \$7.6 million Reserve Fund Interest

FY 2004 Recommendation – Appropriations

The Governor's FY 2004 General Fund budget recommendation proposes appropriations of \$4.7 billion. Significant changes are illustrated in the table below:

Governor's Executive Branch Major General Fund Increases & Decreases

(Dollars in Millions)

Department	Appropriation	Est. FY 03	Gov. Rec. FY 04	Diff. Gov. v. FY 03	% Change
Education	School Foundation Aid	\$1,739.1	\$ 1,831.2	\$ 92.1	5.3%
Education	Teacher Quality/Student	16.1	44.7	28.6	177.6%
Management	Reinvent Government	0.0	25.0	25.0	100.0%
Regents	Tuition Replacement	0.0	13.3	13.3	100.0%
Regents	Univ. Of Iowa: Gen. University	222.3	232.4	10.1	4.5%
Regents	Iowa State: Gen. University	175.6	183.1	7.5	4.3%
Human Services	Child And Family Services	98.1	104.1	6.0	6.1%
Human Services	MH/DD Growth Factor	14.2	19.1	4.9	34.5%
Corrections	Ft. Madison Inst.	31.4	35.7	4.3	13.7%
Regents	University Of Northern Iowa	78.6	82.2	3.6	4.6%
College Student Aid	College Work-Study Program	0.0	2.7	2.7	100.0%
Human Services	Glenwood Resource Center	2.1	4.6	2.4	115.0%
Attorney General	Victim Assistance Grants	0.0	2.0	2.0	100.0%
Inspections & Appeals	Indigent Defense	18.1	19.9	1.7	9.4%
Human Services	Woodward Resource Center	1.4	2.8	1.3	94.4%
Corrections	Anamosa Inst.	23.2	24.5	1.3	5.7%
Economic Development	Community Development	4.5	5.8	1.2	27.4%
Public Safety	Iowa State Patrol	36.1	37.3	1.2	3.4%
Corrections	Oakdale Inst.	21.0	22.1	1.1	5.4%
Public Safety	DCI Investigation Community College	11.8	12.9	1.1	9.4%
Education	Technology	0.0	1.0	1.0	100.0%
<i>Total Increases > \$1.0 Million</i>		<u>\$2,493.6</u>	<u>\$ 2,706.3</u>	<u>\$ 212.7</u>	8.5%
Economic Development	Business Development	\$ 10.2	\$ 6.1	\$ -4.1	-40.6%
Human Services	Medical Assistance	377.2	361.7	-15.5	-4.1%
<i>Total Decreases > \$1.0 Million</i>		<u>\$ 387.4</u>	<u>\$ 367.8</u>	<u>(\$ (19.6))</u>	-5.1%
Total Other Changes		<u>\$1,588.8</u>	<u>\$ 1,626.2</u>	<u>\$ 37.4</u>	2.4%
Grand Total		<u><u>\$4,469.9</u></u>	<u><u>\$ 4,700.4</u></u>	<u><u>\$ 230.5</u></u>	5.2%

The Governor's FY 2004 General Fund recommendations are listed in the table below by Appropriations Subcommittee.

Governor's FY 2004 General Fund Recommendations

(Dollars in Millions)

Subcommittee	Est. FY 2003	Gov. Rec. FY 2004	FY 2004 vs. FY 2003	% Change
Administration & Regulation	\$ 79.5	\$ 109.2	\$ 29.7	37.3%
Agriculture & Natural Resources	31.9	32.5	0.5	1.7%
Economic Development	25.0	22.3	-2.7	-10.6%
Education	851.4	923.3	71.9	8.4%
Health & Human Services	775.2	777.9	2.6	0.3%
Justice System	458.5	491.8	33.2	7.2%
Trans., Infrastructure, & Capitals	0.0	0.0	0.0	0.0%
Unassigned Standings	2,248.3	2,343.6	95.2	4.2%
TOTAL	\$ 4,469.9	\$ 4,700.4	\$ 230.5	5.2%

More Information

Details of the recommendations are included in the LFB document "Summary of FY 2004 Budget and Governor's Recommendation." This document is available at the LFB office or on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/>

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ADMINISTRATION AND REGULATION SUBCOMMITTEE FY 2004 GOVERNOR'S RECOMMENDATIONS

Admin./Regulation



The Governor is recommending \$109.2 million from the General Fund and 2,080.7 FTE positions for the 12 Departments of the Administration and Regulation Appropriations Subcommittee. This is an increase of \$29.7 million (37.3%) compared to estimated FY 2003. Information on the FTE positions is available from the LFB upon request. Unless otherwise indicated, all increases or decreases are compared to estimated FY 2003.

Gov's. Significant Changes



The Governor's budget recommendations are compared to the estimated FY 2003 appropriation, which does not include salary adjustment. Fiscal Year 2003 salary adjustment was funded from non-General Fund sources. The Governor has recommended that the FY 2003 salary adjustment funding be replaced by a General Fund appropriation totaling \$1.3 million in FY 2004. In addition, the Governor is recommending other significant items, including:

- Department of Administrative Services – The Governor is recommending total funding of \$18.3 million and 347.8 FTE positions for the new Department that combines the Information Technology Department, the Department of General Services, the Department of Personnel, the Iowa Communications Network, and the accounting functions of the Department of Revenue and Finance. The recommendation includes the transfer of \$1.1 million of General Fund standing appropriations.
- Department of Inspections and Appeals – The Governor is recommending an increase of \$386,000 (3.6%) and 14.4 (5.6%) FTE positions for FY 2004 as follows:

- Assisted Living and Adult Day Care Regulation – An increase of 14.0 FTE positions to continue oversight of assisted living programs and to establish and implement a system of oversight for the adult day care industry. These positions would be funded through an appropriation of \$1.4 million from the Senior Living Trust Fund.
- Racing and Gaming Commission Excursion Boat Regulation – An increase of \$174,000 for regulation-related expenses that are reimbursed by the excursion gambling boats and pari-mutuel gaming. The requested increase restores the FY 2002 across-the-board reductions and the FY 2002 and FY 2003 furlough reductions.
- Department of Management – The Governor is recommending an increase of \$25.3 million (1,202.5%) and 1.5 (4.4%) FTE positions for FY 2004, including:
 - An increase of \$183,000 and 1.5 FTE positions to enhance revenue estimating.
 - An increase of \$127,000 for the Salary Model Administrator that has historically been appropriated in the Salaries Bill.
 - An increase of \$25.0 million for reinventing government programs that will achieve savings through reductions in future appropriations.
- Department of Revenue and Finance – The Governor is recommending a decrease of \$174,000 (0.7%) for FY 2004, including:
 - An increase of \$525,000 and 14.0 FTE positions for 10.0 additional revenue field auditors and 4.0 additional revenue field collections agents.
 - An increase of \$742,000 for additional resources for tax data and to enhance revenue estimating.
 - A decrease of \$1.7 million to transfer the accounting functions of the Department to the new Department of Administrative Services.

More Information

Additional detail is available on the LFB web site at
<http://staffweb.legis.state.ia.us/lfb/>.

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AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE FY 2004 GOVERNOR'S RECOMMENDATIONS

Agric./Natural Resources**Dept. of Agriculture**

The Governor is recommending \$32.5 million for operations from the General Fund and 1,559.8 FTE positions, an increase of \$544,000 (1.7%) and no change in FTE positions compared to estimated FY 2003. The following details the recommendations:

The Governor is recommending \$17.0 million from the General Fund and 472.1 FTE positions for FY 2004 for the Department of Agriculture and Land Stewardship. This is an increase of \$230,000 (1.4%) and no change in FTE positions compared to estimated FY 2003. The changes include:

- An increase of \$249,000 (1.5%) to fund the salary adjustment from the General Fund for FY 2004.

- A decrease of \$19,000 (100.0%) for elimination of the Feed Grain Verification pilot project.

The Governor is recommending \$306,000 from other funds and \$13.6 million from the Environment First Fund. Significant changes include:

- An increase of \$500,000 (100.0%) for the Agricultural Drainage Wells Program.
- An increase of \$2.0 million (57.1%) for the Soil Conservation Cost Share Program.
- An increase of \$2.0 million (100.0%) for the Conservation Reserve Program. Funding for this Program was eliminated for FY 2003.
- An increase of \$500,000 (100.0%) for the Loess Hills Conservation Authority. Funding for this Program was eliminated for FY 2003.

Dept. of Natural Resources



The Governor is recommending \$15.5 million from the General Fund and 1,075.1 FTE positions for FY 2004 for the Department of Natural Resources. This is an increase of \$314,000 (2.1%) and no change in FTE positions compared to estimated FY 2003. The increase is to fund the salary adjustment from the General Fund for FY 2004.

The Governor is recommending \$34.7 million from other funds, \$21.0 million from the Environment First Fund, and \$5.5 million from the Restricted Capital Account of the Tobacco Settlement Trust Fund. Significant changes include:

- An increase of \$100,000 (0.3%) from the Fish and Wildlife Trust Fund to be used for operations in the Fish and Game Bureau. The increase is to match federal funds for non-game wildlife research activities.
- An increase of \$9.0 million (450.0%) for the Resource Enhancement and Protection Fund.
- An increase of \$2.0 million (100.0%) for State Park operations.
- An increase of \$2.0 million (40.0%) to fund design and construction projects at the Destination State Park located near Lake Rathbun.

More Information

Additional information is available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/>

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ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE FY 2004 GOVERNOR'S RECOMMENDATIONS

Economic Development



The Governor is recommending \$22.3 million from the General Fund and 1,246.1 FTE positions for the three departments and the Regents University programs of the Economic Development Appropriations Subcommittee, a decrease of \$2.7 million (10.6%) and 6.0 (0.5%) FTE positions compared to estimated FY 2003. This includes 813.4 FTE positions that are not appropriated by the General Assembly. These positions are funded by federal and other funds. More information on these FTE positions is available from the LFB upon request. Significant changes include:



- **Department of Economic Development** – A decrease of \$2.9 million (17.5%) and no change in FTE positions compared to estimated FY 2003. Changes include:
 - An increase of \$104,000 to replace non-General Fund salary adjustment with General Fund monies.
 - An increase of \$1.2 million for tourism advertising. This was previously funded with Community Attraction and Tourism (CAT) Funds appropriated from the Rebuild Iowa Infrastructure Fund (RIIF).
 - A decrease of \$4.2 million for the Strategic Investment Fund and the Value-Added Agricultural Products Financial Assistance Program (VAAPFAP).
- **Public Employment Relations Board** – An increase of \$73,000 (9.2%) and no change in FTE positions compared to estimated FY 2003. The increase is to provide funding for an additional Board member (\$60,000) and to replace the non-General Fund salary adjustment (\$13,000) with General Fund monies.
- **Board of Regents** – An increase of \$139,000 (4.8%) and a decrease of 6.4 (8.7%) FTE positions compared to estimated FY 2003 for economic development programs at the universities. The increase is to replace the non-General Fund salary adjustment with General Fund monies.

Significant Other Fund Changes Recommended

Non-General Fund

The Governor's recommendations include increases in Other Funds that will be addressed by other appropriations subcommittees. The significant new recommendations include:

- \$2.5 million from the Restricted Tobacco Funds Account for continued funding of the Accelerated Career Education (ACE) Program.
- \$3.0 million from the Rebuild Iowa Infrastructure Fund (RIIF) for Accelerated Career Education Infrastructure.
- \$800,000 from the RIIF for financial assistance to communities and organizations to increase available housing.
- \$500,000 from the Environment First Fund for clean-up and redevelopment of Brownfield sites.

New Economic Council

The Governor is also recommending the creation of the Iowa New Economy Council, a public/private partnership responsible for:

- Leading economic transformation
- Setting accountability standards
- Establishing measurement methods and benchmarks by which to evaluate effectiveness
- Administration of the Iowa Values Fund

Iowa Values Fund

The Governor is recommending the creation of a \$500.0 million Iowa Values Fund in the Department of Economic Development under the control of the Iowa New Economy Council. The Fund will be used for:



- Making Iowa a world leader in Life Sciences – involves outreach to accelerate new business creation, development of incubator facilities, research and development support for innovative genetic transformation technology and construction of a protein extraction facility.
- Supporting the creation of Economic Development Regions – A region must consist of no less than three contiguous counties. Each region shall establish a single focused economic development effort, economic development plan, and regional marketing strategy. Each region will be authorized to establish a regional economic development revolving fund. Non-governmental entities making contributions to a regional economic development revolving fund shall be granted a tax credit equal to 20.0% of the amount contributed. Contributions eligible for the tax credit may be made at any time up to five years following the passage of the legislation. Regions identified as the most economically isolated areas of the State will be eligible for State seed money for their regional economic development initiatives.
- Promoting and developing Iowa's Industry Clusters
- Providing access to High Speed Internet Service
- Promoting development and investment in Renewable Energy
- Sustaining the transformation initiatives – The Governor is recommending that taxes paid through the creation of new business and new jobs be used to sustain transformation initiatives and Iowa's values, and this revenue be directed to the following purposes:
 - 33% to replenish the Iowa Values Fund
 - 33% to address education values, including programs to improve early childhood education and to make post-secondary education opportunities accessible and affordable.
 - 17% to initiatives to eliminate Iowa's impaired waterways.
 - 17% to improving health care, including mental health and services to respond to needs of those with disabilities.

More Information

For more information, contact the Legislative Fiscal Bureau.

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**EDUCATION APPROPRIATIONS SUBCOMMITTEE FY 2004
GOVERNOR'S RECOMMENDATIONS**

Education



The Governor is recommending \$923.3 million for operations from the General Fund and 26,265.6 FTE positions for the five departments of the Education Appropriations Subcommittee. This is an increase of \$71.9 million (8.4%) and a decrease of 226.5 FTE positions (0.9%) compared to estimated FY 2003. This includes 8,993.4 FTE positions that are not appropriated by the General Assembly but are reflected in the FTE tracking document in Appendix A. These positions are funded by federal funds, fee revenue, and gifts and donations. More information on these FTE positions is available from the LFB upon request.



The Governor's recommendations are compared to the estimated FY 2003 appropriation, which does not include salary adjustment. The FY 2003 salary adjustment was funded from non-General Fund sources. The Governor has recommended that the FY 2003 salary adjustment funding be replaced by a General Fund appropriation totaling \$25.2 million in FY 2004. In addition, the Governor is recommending the following:

College Student Aid Commission

- The Governor is recommending a total increase of \$3.0 million for FY 2004 as follows:
 - \$2.7 million to restore funding for the Work Study Program. This is not a new Program, but was last funded at \$2.8 million in FY 2001.
 - \$300,000 for the Tuition Grant Program.

Department of Education

- The Governor is recommending a total increase of \$30.3 million (15.4%) for FY 2004, including:
 - An increase of \$28.6 million to the General Fund for the Student Achievement and Teacher Quality Program. The Governor is recommending total FY 2004 funding for the Program of \$44.7 million, which is an overall increase of \$4.7 million to maintain FY 2003 teacher salary levels. The Governor's recommendation includes no non-General Fund appropriations.
 - A new General Fund appropriation of \$1.0 million for community college technology.
 - A new General Fund appropriation of \$400,000 for start-up costs to create the Iowa Virtual Academy to offer courses via Iowa Communications Network (ICN) video classrooms and the Internet.

Board of Regents

- The Governor is recommending a total increase of \$38.5 million (6.5%), with significant increases as follows (totals may not add due to rounding):
 - An increase of \$13.3 million for the Regents Board Office for Tuition Replacement. Tuition replacement funds are used to pay the principal and interest on academic revenue bonds authorized by the General Assembly for building projects at the universities. The total need for FY 2004 is \$23.9 million. The Governor recommended that \$10.6 million be funded from tobacco funds. For FY 2003, appropriations totaling \$27.3 were made from tobacco funds.
 - An increase of \$164,000 for the Iowa School for the Deaf and \$92,000 for the Iowa Braille and Sight Saving School to provide a 2.0% increase in operations.

More Information

Additional detail is available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/>.

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HEALTH AND HUMAN SERVICES FY 2004 GOVERNOR'S RECOMMENDATIONS

Health and Human Serv.

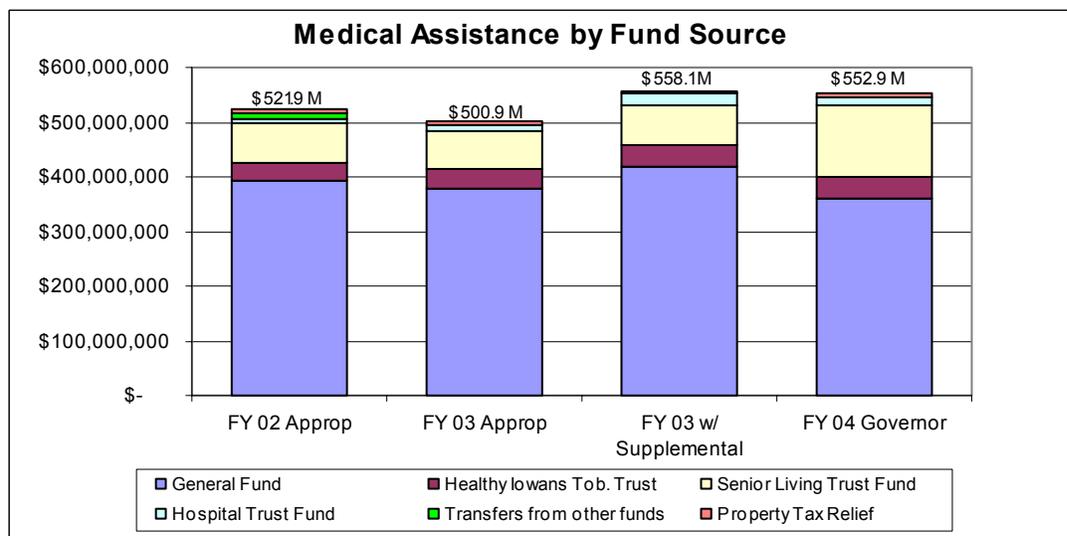


The Governor is recommending \$777.9 million from the General Fund and 6,818.6 FTE positions for FY 2004, an increase of \$2.6 million (0.3%) and an increase of 136.8 FTE positions (2.0%) compared to estimated FY 2003. The total includes 177.1 FTE positions that are not appropriated by the General Assembly. These positions are funded by federal funds and more information on these positions is available from the LFB upon request.

Medicaid Funding

The \$2.6 million recommended General Fund increase for FY 2004 includes a decrease of \$15.5 million due to a shift in funding source for the Medical Assistance (Medicaid) Program. The recommendation also includes an increase in the Senior Living Trust Fund of \$65.6 million for Medical Assistance. Combined with small changes in other fund sources, the net impact is an increase in General and other funds of \$52.0 million for Medical Assistance. This amount is significantly less than the \$78.0 million-to-\$110.0 million range agreed to by the Department of Management, Department of Human Services, and Legislative Fiscal Bureau in January 2003. It is approximately \$5.1 million less than the amount the Governor has recommended for the FY 2003 supplemental. The Governor recommends that the Legislature adopt savings measures in the Medical Assistance program to achieve the recommended amount.

The Governor is also recommending \$60.9 million from tobacco settlement revenues, \$160.5 million from the Senior Living Trust Fund, and \$15.0 million from the Hospital Trust Fund for FY 2004. This request for other funding is an increase of \$70.6 million compared to estimated FY 2003.



Significant Funding Changes The Governor's recommendations are compared to the estimated FY 2003 appropriation, which does not include salary adjustment. The FY 2003 salary adjustment was funded from other fund sources. The Governor replaces the FY 2003 salary adjustment funds with a General Fund appropriation in FY 2004. Those recommendations are noted below.

The following lists significant FY 2004 funding changes by budget unit. Unless otherwise indicated, all funding changes are recommended from the General Fund.

- **Department of Elder Affairs** – An increase of \$37,000 (0.9%) to fund the FY 2003 salary adjustment from the General Fund and 27.5 FTE positions, which is no change compared to estimated FY 2003.
- **Department of Public Health** – An increase of \$202,000 (0.8%) to fund the FY 2003 salary adjustment from the General Fund and 390.3 FTE positions, an increase of 0.3 (0.1%) FTE position compared to estimated FY 2003.
- **Department of Human Services** – An increase of \$1.5 million (0.3%) and 139.9 FTE Positions for FY 2004 for the following:
 - Economic Assistance – An increase of \$843,000 (2.1%) compared to original FY 2003.
 - Family Investment and Promise Jobs Programs – An increase of \$681,000.
 - Child Support Recovery Unit – An increase of \$162,000 and no change in FTE positions to replace FY 2003 salary adjustment funding.
 - Medical Services – A decrease of \$15.1 million (3.6%) compared to original FY 2003. This includes:
 - Medical Assistance - A decrease of \$15.5 million General Fund appropriations due to a fund shift to the Senior Living Trust Fund. This also includes:
 - An increase of \$65.6 million from the Senior Living Trust Fund.
 - An increase of \$3.0 million from the Hospital Trust Fund.
 - A decrease of \$1.2 million from the Healthy Iowans Tobacco Trust Fund.
 - Children's Health Insurance Program – An increase of \$410,000 for increased enrollment in the Healthy and Well Kids in Iowa (*hawk-i*) Program.
 - Medical Contracts – An increase of \$261,000.
 - State Supplementary Assistance – A decrease of \$301,000.
 - Services for Adults, Children, and Families – An increase of \$6.2 million (5.1%) and 5.2 FTE (1.5%) positions compared to estimated FY 2003. This includes:
 - Child Care Services – An increase of \$111,000 (2.2%) to meet federal maintenance of effort requirements.
 - Children and Family Services – An increase of \$6.0 million (6.1%), which includes:

- A decrease of \$438,000 to reflect an adjustment in the federal matching rate.
- An increase of \$696,000 to replace lost federal funding for services to children determined not eligible for federal matching funds.
- An increase of \$5.7 million to continue the proposed FY 2003 supplemental appropriation.
- Services for Persons with Mental Illness/Mental Retardation/Developmental Disabilities/Brain Injuries – An increase of \$8.7 million (9.5%) and 172.3 FTE positions (7.4%) compared to estimated FY 2003. This includes:
 - State Resource Center at Glenwood – An increase of \$2.4 million and 90.0 FTE positions.
 - State Resource Center at Woodward – An increase of \$1.3 million and 49.0 FTE positions.
 - Developmental Disabilities Special Needs Grants – A decrease of \$48,000 for eliminating the Grant Program.
 - Personal Assistance Services Program – An increase of \$48,000 to transfer the funds from the Special Needs Grants Program to the Personal Assistance Services Program for additional costs incurred for individuals receiving services under this Program.
 - Mental Health Property Tax Growth – An increase of \$4.9 million. This was appropriated for FY 2004 in HF 2623 (FY 2003 Omnibus Budget Act I). The change is for an expected increase in mental health costs associated with new clients and inflation. Appropriated growth for FY 2005 is expected to be considered during the 2003 Legislative Session.
- Managing and Delivering Services – An increase of \$824,000 (1.3%) and a decrease of 37.5 FTE positions (1.8%) compared to estimated FY 2003. This includes:
 - Field Operations – An increase of \$925,000 and no change in FTE positions. The increase is to replace FY 2003 salary adjustment funding.
 - General Administration – A decrease of \$101,000 and a decrease of 37.5 FTE positions.
 - Commission on Veterans Affairs – An increase of \$903,000 (6.3%) and 0.5 (0.1%) FTE position.

Other Funds

Significant Other Fund Changes Recommended

- Healthy Iowans Tobacco Trust
 - The Governor is recommending \$60.9 million from the Healthy Iowans Tobacco Trust Fund, which is a decrease of \$1.4 million (2.3%) compared to estimated FY 2003. This includes:
 - \$19.3 million for the Department of Public Health, an increase of \$1.8 million, which includes:
 - An increase of \$1.8 million for substance abuse treatment programs to maintain one-time funding in FY 2003.

- An increase of \$27,000 for the Poison Control Center to maintain one-time funding in FY 2003.
- \$41.6 million for the Department of Human Services, which is a decrease of \$3.3 million and includes:
 - A decrease of \$1.2 million for the Medical Assistance Supplemental appropriation.
 - A decrease of \$2.1 million for the Health Insurance Portability and Accountability Act.
- Senior Living Trust Fund
 - The Governor is recommending \$160.5 million from the Senior Living Trust Fund, an increase of \$86.2 million compared to estimated FY 2003. This includes:
 - \$7.2 million for the Department of Elder Affairs, an increase of \$589,000 for the Senior Living Program.
 - \$133.3 million for the Department of Human Services, which is:
 - An increase of \$65.6 million for the Medical Assistance Supplemental appropriation when compared to the original appropriation. When compared to the proposed FY 2003 Medicaid Supplemental recommendation, this is an increase of \$57.0 million.
 - An increase of \$20.0 million to reinstate the nursing facility conversion grants.
- Hospital Trust Fund
 - The Governor is recommending \$15.0 million from the Hospital Trust Fund, an increase of \$3.0 million compared to the original FY 2003 appropriation and a decrease of \$4.0 million compared to the FY 2003 appropriation when the Governor's recommended supplemental appropriation for Medicaid is included in the comparison.

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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE FY 2004 GOVERNOR'S RECOMMENDATIONS

Justice System



The Governor is recommending \$491.8 million from the General Fund and 7,998.6 FTE positions for the nine State agencies and the Judicial Branch that are funded through the Justice System Appropriations Subcommittee. This is an increase of \$33.2 million (7.2%) and a decrease of 83.8 (1.0%) FTE positions compared to estimated FY 2003. The Governor is recommending \$1.7 million from tobacco settlement revenues for the Department of Corrections, which is no change compared to estimated FY 2003.

The Governor's recommendations are compared to the estimated FY 2003 appropriation, which does not include salary adjustment. The FY 2003 salary adjustment was funded from non-General Fund sources.

Senate File 36 (FY 2003 Non-Medicaid Supplemental Appropriations Bill) provides FY 2003 supplemental appropriations of \$10.6 million to agencies funded by this Subcommittee. If SF 36 is enacted, analysis of the Governor's recommendations regarding these agencies will change as the estimated FY 2003 amounts will change.

Significant Changes



Highlights include:

- Department of Justice - An increase of \$2.2 million (22.0%) and 3.0 FTE positions as follows:
 - \$167,000 (1.7%) to fund the FY 2003 salary adjustment from the General Fund in FY 2004. This recommendation includes the Office of the Attorney General (\$111,000) and the Office of the Consumer Advocate (\$56,000).
 - A new General Fund appropriation of \$2.0 million for victim assistance grants. The recommendation maintains domestic abuse and rape/sexual assault grants to local service providers. This appropriation was eliminated in FY 2003. The actual FY 2002 appropriation was \$1.8 million.
- Department of Corrections – An increase of \$13.2 million (5.6%) and 11.5 FTE positions (0.3%) compared to the estimated FY 2003 appropriation. Changes include:
 - An increase of \$4.0 million to fund FY 2003 salary adjustment from the General Fund in FY 2004. The recommendation includes the eight Community-Based Corrections (CBC) District Departments, Central Office, and the nine Institutions.
 - An increase of \$7.2 million to restore the FY 2003 furlough reduction and increase support budgets at the Iowa State Penitentiary at Fort Madison and the Anamosa State Penitentiary. The recommendation includes the eight CBC District Departments, Central Office, and the nine Institutions.
 - An increase of \$2.1 million and 30.9 FTE positions to annualize the operating costs of the new 200-bed Critical Care Unit at Fort Madison. Fiscal Year 2003 funding was based on opening the use of the beds in three phases. During FY 2004, all 200 beds will be in use all year.
 - An increase of \$500,000 for sewer and water needs at the Iowa State Penitentiary at Fort Madison and the Iowa Medical Classification System at Oakdale.
 - A decrease of \$657,000 and 16.5 FTE positions to reflect staff savings associated with installing a perimeter security fence at Fort Madison, Anamosa, and Mount Pleasant. The fences were approved by the 2002 General Assembly. The Institutions' FY 2003 appropriations were reduced by \$649,000 and 16.5 FTE positions to reflect six months of savings, assuming the fences will be installed by January 2003. The FY 2004 recommendation annualizes the savings associated with installing the fences.
 - A decrease of 4.9 FTE positions in the Fifth and Sixth CBC District Departments to eliminate unfunded positions in FY 2004.
 - An increase of 2.0 FTE positions in the First and Second CBC District Departments for federally funded positions. The District Departments have received federal funds to enhance sex offender supervision in rural areas.
- Judicial Branch – An increase of \$13.3 million (12.0%) compared to the estimated FY 2003 appropriation. Significant changes include:

- An increase of \$4.0 million to supplant one-time funds for FY 2003 Salary Adjustment.
- An increase of \$1.4 million to fully fund all currently authorized FTE positions.
- An increase of \$3.1 million to move the Iowa Court Information System (ICIS) ongoing operational cost from the Enhanced Court Collections Fund to the General Fund.
- An increase of \$2.8 million to fund the judicial retirement fund at the statutory rate of 23.7%.
- Department of Public Safety – The Governor is recommending a total of \$62.1 million, of which \$60.7 million is General Fund money, \$300,000 is State Asset Forfeiture money, and \$1.2 million is federal National Highway Safety money. This is a General Fund increase of \$2.7 million (4.7%) compared to estimated FY 2003. The Governor is also recommending 954.0 FTE positions, an increase of 1.0 FTE position (0.1%) compared to estimated FY 2003. Significant changes include:
 - Iowa State Patrol – An increase of \$1.2 million (3.4%) and 1.0 FTE position (0.2%) compared to the estimated FY 2003 appropriation.
 - An increase of \$759,000 (2.1%) to fund the FY 2003 salary adjustment from the General Fund in FY 2004.
 - An increase of \$467,000 (1.3%) to restore the FY 2003 furlough reductions in the Patrol.
 - The Governor recommends using \$1.2 million of the .08 Blood Alcohol Concentration incentive money and \$281,000 of the State Asset Forfeiture Fund to help fund State Patrol salaries.
 - Division of Criminal Investigation – An increase of \$1.1 million (9.4%) and no change in FTE positions compared to the estimated FY 2003 appropriation.
 - An increase of \$275,000 (2.3%) to fund the FY 2003 salary adjustment funds from the General Fund. This recommendation would maintain 4.0 FTE positions for Special Agents. All of these positions are currently filled.
 - An increase of \$833,000 (7.1%) to restore funds that were eliminated by the across-the-board reduction and furlough reductions from FY 2003. This recommendation would maintain 15.0 FTE positions for criminalists. All but one of these 15 positions is currently filled.
 - Division of Narcotics Enforcement – An increase of \$299,000 (9.0%) and no change in FTE positions compared to the estimated FY 2003 appropriation.
 - An increase of \$67,000 (2.0%) to fund the FY 2003 salary adjustment funds from the General Fund. This recommendation would maintain 1.0 FTE position for a Special Agent. This position is currently filled.
 - An increase of \$232,000 (7.0%) to restore funds that were eliminated by the across-the-board reduction and furlough reductions in FY 2003. This recommendation would maintain 4.0 FTE positions for Special Agents. All but one of these four positions is currently filled.

- The Division of Narcotics Enforcement received \$553,000 in federal money for a Hot Spot Grant for narcotics enforcement. In FY 2002, the Department of Public Safety added 2.0 FTE positions to the State table of organization that are funded from federal money.
- Office of the State Public Defender – An increase of \$2.7 million (7.9%) and no change in FTE positions compared to the estimated FY 2003 appropriation. Changes include:
 - An increase of \$230,000 to fund the FY 2003 salary adjustment from the General Fund in FY 2004.
 - An increase of \$716,000 to fill all currently authorized FTE positions in the Office of the State Public Defender in order to avoid increased costs to the Indigent Defense appropriation. According to the Office, the impact of not funding this request will be an increase of indigent defense costs because private attorneys will handle more cases.
 - An increase of \$1.7 million for Indigent Defense to pay private attorney claims at a level that assumes the Office of the State Public Defender will be fully staffed in FY 2004.
- Iowa Communications Network (ICN) – A decrease of \$1.0 million (100.0%) and a decrease of 105.0 FTE position (100.0%) compared to the estimated FY 2003 appropriation. The Governor is recommending \$500,000 and transferring the ICN to the new Department of Administrative Services.

More Information

More information is available on the LFB web site at:
www.staffweb.legis.state.ia.us/lfb/subcom/justice/justice.htm.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Dean (Ext. 17846)

**DEPARTMENT OF TRANSPORTATION FY 2004
GOVERNOR'S RECOMMENDATIONS**

Dept. of Transportation



The Governor is recommending a total of \$266.9 million and 3,538.0 FTE positions from the Road Use Tax Fund and Primary Road Fund for DOT operations, special purpose projects, and capital projects for FY 2004. This is a decrease of \$1.8 million (0.7%) and a decrease of 17.0 FTE positions (0.5%) compared to estimated FY 2003. The Governor is not recommending funding from the General Fund for the Department of Transportation. Total FTE positions include 96.0 FTE positions that are not appropriated by the General Assembly. These positions are funded through revolving funds administered by the Department.

FY 2004 recommendations:

- \$264.6 million is being recommended for operations and special purpose projects, a decrease of \$1.3 million (0.5%) compared to estimated FY 2003.
- \$2.3 million is being recommended for capital projects, a decrease of \$500,000 (17.9%) compared to estimated FY 2003.

Other FundsSignificant Other Fund Changes Recommended

The following changes include recommendations from the Primary Road Fund and Road Use Tax Fund:

- An increase of \$686,000 and 3.0 FTE positions to the Operations Budget Unit.
- A decrease of \$357,000 and 4.0 FTE positions to the Planning Budget Unit.
- An increase of \$300,000 and 3.0 FTE positions to the Highway Budget Unit.
- A decrease of \$652,000 and 18.0 FTE positions to the Motor Vehicle Budget Unit.
- A decrease of \$1.2 million for the Driver's License Digitized Imaging System.
- A new request of \$200,000 for surface repair at two scale sites near Missouri Valley.
- A new request of \$2.0 million for resources to build new garages at various locations throughout the State.

More Information

Additional information is available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/>

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SCHOOL FOUNDATION AID FY 2004 GOVERNOR'S RECOMMENDATIONS

Allowable Growth

The Governor is recommending \$1.831 billion from the General Fund to fund a 2.0% allowable growth for FY 2004. This is an increase of \$92.1 million (5.3%) compared to the FY 2003 General Fund appropriation. The increase includes:

- \$47.1 million in new funding for the 2.0% allowable growth.
- \$45.0 million to offset FY 2003 funding from Other Funds.

The FY 2004 allowable growth rate was set at 2.0% during the 2002 Legislative Session. If no changes are made during the 2003 Legislative Session, it is estimated that FY 2004 State school aid from General Fund and Other Fund sources will increase by \$47.1 million (2.6%) compared to estimated FY 2003.

Student Achievement

In addition to School Foundation Aid, the Governor is recommending \$44.7 million for the Student Achievement and Teacher Quality Program. This is an increase of \$28.6 million (177.6%) for the General Fund. This includes:

- \$4.7 million to maintain FY 2003 teacher salary levels.
- \$23.9 million to replace FY 2003 funding from non-General Fund sources.

Other Recommendations

The Governor has other recommendations that would affect the School Foundation formula and school districts.

- The formula currently contains a variety of weightings for special education, shared enrollments, English as a Second Language, and at-risk students. The Governor is recommending that supplemental weighting incentives be added for districts hosting Regional Academies and for districts that improve administrative efficiency by sharing administrative functions.
- The Governor is also recommending that school districts with four-year high schools with fewer than 100 students be given a two-year window to reorganize to reach a school size of at least 200 students. After that, districts would be required to submit a reorganization plan to reach a size of 200 high school students. Provision for waivers would be permitted if the reorganized school would experience an unreasonable transportation burden.

FY 2005 Allowable Growth

The Governor is recommending a 2.0% allowable growth for FY 2005. The School Foundation formula is estimated to cost the General Fund \$1.873 billion. This is an increase of \$42.4 million (2.3%) compared to estimated FY 2004. The following table shows State Foundation Aid for the budget years under examination.

General Fund School Foundation Aid Funding

(Dollars in Millions)

<u>Fiscal Year</u>	<u>Allowable Growth Percentage</u>	<u>State Aid for Allowable Growth</u>	<u>Increase</u>	<u>Percent Increase</u>
2003	1.00%	\$ 1,739.1	\$ 60.5	3.60%
2004	2.00%	1,831.2	92.1	5.30%
2005	2.00%	1,873.6	42.4	2.32%

Note: In FY 2003, school districts received an additional \$45.0 million in State aid from non-General Fund sources.

Current law requires the General Assembly to pass an allowable growth rate within 30 days of the submission of the Governor's budget. The FY 2005 allowable growth rate is required to be approved by March 2 under current law.

More Information

For further information pertaining to school aid amounts, contact the Legislative Fiscal Bureau.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

**INFRASTRUCTURE AND ENVIRONMENT FIRST PROJECTS
 FY 2004 GOVERNOR'S RECOMMENDATIONS**

Infrastructure Recomm.



The Governor is recommending a total of \$211.4 million to fund infrastructure and technology projects, environmental programs, and debt service payment on certain bonds for FY 2004. This includes \$156.3 million from the Restricted Capital Fund, \$20.1 million from the Rebuild Iowa Infrastructure Fund (RIIF), and \$35.0 million from the Environment First Fund. The following summarizes the significant recommendation:

Dept. of Ag.

Department of Agriculture and Land Stewardship

- \$5.5 million from the Environment First Fund to fund the Soil Conservation Cost Share Program.
- \$2.7 million from the Environment First Fund for the Iowa Watershed Protection Program for projects.
- \$2.0 million from the Environment First Fund to re-establish funding for the Conservation Reserve Program (CRP).
- \$1.5 million from the Environment First Fund for continued funding of the Conservation Reserve Enhancement Program (CREP).
- \$500,000 from the Environment First Fund for the Alternative Drainage System Assistance Program.
- \$850,000 from the Environment First Fund for continued funding of the Farm Management Demonstration Program.
- \$500,000 from the Environment First Fund for the Loess Hills Conservation and Development Authority.

Dept. of Corrections

Department of Corrections – \$7.5 million to the Department of Corrections for continued funding for the construction of a 170-bed special needs unit at the Iowa Medical and Classification Center at Oakdale.

Dept. of Econ. Dev.

Department of Economic Development

- A total of \$5.5 million (\$2.5 million from the Restricted Capital Fund and \$3.0 million from the RIIF) for vertical infrastructure improvements at community colleges associated with implementing the Accelerated Career Education (ACE) Program.
- \$800,000 from the RIIF for the Local Housing Assistance Program.
- \$500,000 from the Environment First Fund for the Brownfield Redevelopment Program.

Dept. of Ed.

Department of Education – \$10.0 million from the Restricted Capital Fund to continue the conversion of the eight Iowa Public Television transmitter sights and headquarters to digital transmission.

Dept. of Gen. Services

Department of General Services

- \$1.7 million from the RIIF for costs associated with routine maintenance of State facilities.
- \$16.7 million from the Restricted Capital Fund for major maintenance improvements to State facilities under the purview of the Department of General Services.
- \$16.7 million from the Restricted Capital Fund for the third year of funding of the multi-purpose laboratory facility.
- \$6.2 million from the Restricted Capital Fund for interior restoration of the northeast quadrant of the State Capitol Building.
- \$5.0 million from the RIIF for the renovation of the Records and Property Building to convert warehouse space into office space.

- \$1.0 million from the Restricted Capital Fund for continued upgrades of the security systems of State Buildings located on the Capitol Complex.

Dept. of IT

Department of Information Technology

- \$6.1 million from the Restricted Capital Fund for the second-year costs associated with the purchase of an Enterprise Resource Planning (ERP) System.
- \$4.1 million from the RIF for the Pooled Technology Account.

State Fair

State Fair Authority – \$500,000 for infrastructure improvements at the State Fair Grounds.

Dept. of Natural Resources

Department of Natural Resources

- \$11.0 million from the Environment First Fund for the Resources Enhancement and Protection (REAP) Fund.
- \$1.0 million from the Environment First Fund for continued funding for the dredging of lakes.
- \$3.0 million from the Environment First Fund for the establishment of water quality monitoring stations.
- \$3.0 million from the Restricted Capital Fund for continued funding of the Destination State Park development located near Lake Rathbun.
- \$2.7 million from the Environment First Fund for projects that comply with the criteria for Marine Fuel Tax funding.
- \$2.5 million from the Restricted Capital Fund for continued funding of the Restore the Outdoors Program.
- \$2.0 million from the Environment First Fund for operation and maintenance of State park facilities.
- \$1.5 million from the Restricted Capital Fund for the construction of the Lewis and Clark Rural Water System.
- \$500,000 from the Environment First Fund for the Water Quality Protection Program.
- \$500,000 from the Environment First Fund for the air quality monitoring equipment.

Dept. of Public Defense

Department of Public Defense

- \$1.3 million from the Restricted Capital Fund for maintenance and renovation projects at National Guard facilities.
- \$1.1 million from the Restricted Capital Fund for construction of the Boone Readiness Center.

Regents

Board of Regents

- \$10.2 million from the Restricted Capital Fund for renovation and improvements to classrooms and auditoriums at Iowa State University.

- \$7.2 million from the Restricted Capital Fund for construction of a new classroom facility to house the School of Journalism at the University of Iowa.
- \$6.5 million from the Restricted Capital Fund for the renovation of the Innovative Teaching Center at the University of Northern Iowa.
- \$3.7 million from the Restricted Capital Fund for the expansion of the Art Building at the University of Iowa.
- \$4.4 million from the Restricted Capital Fund for replacement of the steam distribution system at the University of Northern Iowa.
- \$10.6 million from the Restricted Capital Fund to fund a portion of the FY 2004 Tuition Replacement. The total amount required for Tuition Replacement in FY 2004 is \$24.0 million. The remainder of the Tuition Replacement is being recommended from the Restricted Capital Fund.

Telecommunications

Telecommunication and Technology Commission – \$2.7 million from the RIF to pay the costs of maintenance and leases associated with the build-out of Part III of the Iowa Communications Network (ICN).

DOT

Department of Transportation

- \$3.1 million from the Restricted Capital Fund for the Recreational Trails Program.
- \$1.1 million from the Restricted Capital Fund for the Commercial Service Airport Program.
- \$581,000 from the Restricted Capital Fund for the Aviation Hangar Grant Program.

Treasurer

Treasurer of State

- \$13.0 million from the Restricted Capital Fund for the FY 2004 debt service payment on the ICN bonds.
- \$5.4 million from the Restricted Capital Fund for the FY 2004 debt service payment on the prison infrastructure bonds.
- \$12.5 million from the Restricted Capital Fund for the Community Attraction and Tourism Development Fund.
- \$1.1 million from the Restricted Capital Fund for infrastructure improvements at county fairs.

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ADMINISTRATION AND REGULATION APPROPRIATION SUBCOMMITTEE

Admin./Regulation

The Administration and Regulation Appropriations Subcommittee met January 28, 29, and 30.

Presentations



On January 28, the Subcommittee heard presentations and discussed the following:

- Patrick Deluhery, Acting Director of General Services, provided an overview of the Department. The Subcommittee discussed providing services to the Judiciary and the new judicial building and asked for a future update.
- Mollie Anderson, Director of the Department of Personnel, provided an overview of the Department. Key issues identified include: labor agreements; funding for the salary bill; the aging workforce; the cost of health insurance; and the proposed Department of Administrative Services.
- Greg Cusack and Cathy Comito, Chief Analysts from IPERS, provided an overview of their respective units in IPERS. Key issues include: Health of the IPERS fund now and into the future; impact of "baby boomers" on the fund; and the need to increase employee contributions and reduce costs.
- Donald Cooper, Acting Director of the Department of Revenue and Finance, provided an overview of the Department. Key issues include: Increasing electronic return filings; the Integrated Information for Iowa System Project (I/3); collection of outstanding State debt; and streamlining the sales tax.
- Ed Stanek, Director of the Iowa Lottery, provided an overview. Mr. Stanek responded to questions, including: Lottery staff contacting other agencies to obtain help in marketing Lottery games to minority citizens. Mr. Stanek explained that the Lottery was asked by retailers for help in providing information to customers in a language the customer could understand.

On January 29, the Subcommittee heard presentations and discussed the following:

- Mollie Anderson, Director nominee for the Department of Administrative Services, provided an overview of the proposed Department and responded to questions from the Subcommittee.
- Steve Young, Director of the Department of Inspections and Appeals, provided an overview of the Department and its divisions and responded to questions from the Subcommittee.
- Jack Ketterer, Administrator of the Racing and Gaming Commission, provided an overview and responded to questions from the Subcommittee.
- Marvin Van Haften, Director of the Governor's Office of Drug Control Policy, provided an overview of the Office and responded to Subcommittee questions.

On January 30, the Subcommittee heard presentations and discussed the following:

- Chet Culver, Secretary of State; and Ron Berntsen, Deputy Secretary and Legislative Liaison; provided an overview of the two divisions in the Office and responded to Subcommittee questions.

More Information

Copies of agendas, handouts, and minutes of the Subcommittee meeting are available on the LFB web site at

http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm.

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ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE MEETING

Economic Development



The Economic Development Appropriations Subcommittee met the week of January 27 and conducted the following business:

- On January 29, Richard Running, Director of the Iowa Department of Workforce Development, presented an overview of the Department's divisions as well as programs and services provided by the division. The Department is comprised of the following six divisions:
 - **Labor Services Division** - Enforces safety in the workplace; provides consultation to employers on occupational safety and health compliance; conducts amusement ride, elevator, and boiler inspections, maintains statistical information of workers' illness and injuries; and enforces wage, labor, and child-labor laws.
 - **Workers' Compensation** - Oversees medical and wage replacement benefits to workers for injuries on the job, occupational diseases, or hearing loss; and conducts Workers' Compensation mediations and hearings.
 - **Policy and Information** - Provides support for the Iowa Workforce Development Board; provides long-range strategic planning for the Department of Workforce Development; represents the Department of Workforce Development and the Director on many state, regional, and national boards and councils; provides labor market statistics, such as occupational wages and future labor market issues; and provides public information and communications.
 - **Unemployment Insurance** - Collects unemployment insurance taxes, maintains the Iowa Unemployment Trust Fund; and makes payments to eligible jobless workers.
 - **Administrative Services** - Provides administrative support for employee services, building management, office services, and financial and accounting functions; and develops, maintains, and manages Department information technology services.
 - **Workforce Development Center Administration** - Manages a network of more than 70 offices throughout Iowa; serves one-stop locations on workforce issues, provides job counseling, job training and assistance; and provides special services to special needs populations.
- On January 30, the Board of Regents presented a summary of economic development programs and services provided by the Regents' institutions.
 - Iowa State University (ISU)
 - Small Business Development Center - Through a statewide network, counsels and trains business people in management, financing and operating small businesses.
 - Research Park - Provides a home to companies that wish to be located near Iowa State University. Through its incubator, it helps new companies develop business plans, identify capital resources and find trained staff to get the company up and running.
 - Institute for Physical Research and Technology - Coordinates research in a number of areas in the physical and engineering sciences.

- University of Iowa (SUI)
 - Center for Advanced Drug Development - The Center for Advanced Drug Development has the capability to engage in the full range of the drug development process by calling upon the resources of the University of Iowa's Division of Pharmaceutical Service, the Iowa Drug Information Network, and the Center for Biocatalysis and Bioprocessing. Services of the University of Iowa Hospitals and Clinics are also available.
 - Oakdale Research Park - Provides corporations with easy, sustained access to relevant research resources of the University of Iowa. Firms locating on the Park can expect to establish and sustain working relationships with SUI faculty scientists, physicians, and engineers. In addition, firms can access facilities and equipment, sponsor research, employ graduate students, hire graduates, license SUI intellectual property, and participate actively in the University academic community.
- University of Northern Iowa (UNI)
 - Metal Casting Institute - The primary interest of the Metal Casting Center is to improve the productivity and competitiveness of the operating foundry industry through applied research, technology transfer, service, and support in the preparation of future professionals for the industry.
 - Decision Making Institute - The mission of the Institute for Decision Making (IDM) is to guide citizens of Iowa as they make decisions and take organized action to improve their communities through results-oriented economic and community development initiatives. As the economic and community development outreach unit of the College of Business Administration, IDM expands learning opportunities for the University's students and faculty, and for volunteers and professionals in communities through the sharing of expertise.

Future Meetings

The Economic Development Appropriations Subcommittee will meet the week of February 4-6. On February 4, Ken Stone, Iowa State University, will provide a presentation on economic development performance measures. On February 5, representatives from the Department of Economic Development will give an overview of the programs and services provided, and on February 6, the Legislative Fiscal Bureau will present an analysis of the FY 2004 budget requests and recommendations.

STAFF CONTACT: Russell Trimble (Ext. 14613)

EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING

Education



The Education Appropriations Subcommittee met on two days during the week of January 27. Significant agenda items included budget presentations by the following:

- Iowa School for the Deaf
- Iowa Braille and Sight Saving School
- Department of Education, Division of Vocational Rehabilitation
- Department for the Blind

- Department of Cultural Affairs
- State Library

More Information

More information, including handouts from each of the meetings, is available on the Education Appropriations Subcommittee portion of the LFB web site at http://staffweb.legis.state.ia.us/lfb/subcom/ed_sub/educat.htm.

STAFF CONTACT: Robin Madison (Ext. 15270) Mary Shipman (Ext. 14617)

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE MEETINGS

Health and Human Services

The Health and Human Services Appropriations Subcommittee met the week of January 27 and conducted the following business:

- On January 28, the Subcommittee members visited Primary Health Care, a federally qualified health center located in Des Moines.
- On January 29, the Subcommittee members visited Orchard Place, a residential treatment program and psychiatric medical institution for children in Des Moines.
- On January 30, the Subcommittee members visited the Willis Adult Day Care Center affiliated with Mercy Hospital Medical Center in Des Moines.

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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE MEETINGS

Justice System

The Justice System Appropriations Subcommittee met January 28, 29, and 30 to hold hearings on the Department of Public Safety (DPS), the Department of Corrections (DOC), and the Board of Parole.

Public Safety

Public Safety Commissioner Kevin Techau provided an overview of the DPS. The Commissioner distributed an organization chart and descriptions of the divisions and bureaus within the Department. Commissioner Techau stated the Department serves as an umbrella organization for several autonomous divisions:

- Iowa State Patrol
- Administrative Services
- Division of Criminal Investigation
- State Fire Marshal's Office
- Division of Narcotics Enforcement

Commissioner Techau indicated that each Division has specialized bureaus to further enhance their mission of protecting the public safety. He distributed maps illustrating the local structure of the Division of Criminal Investigation, Office of the State Fire Marshal, Division of Narcotics Enforcement, and the Iowa State Patrol.

Corrections

John Baldwin, Acting Director of DOC, provided an overview of the Department. A seven-member policy-making board oversees the Department. There are nine prisons and eight Community-Based Corrections (CBC) District Departments in Iowa. The DOC contracts with each CBC District Department to provide local correctional services in every county of the State. The Department's main responsibilities include:

- Prison operations and parole and probation programs.
- Residential facilities, including work release, probation, and the Operating While Intoxicated (OWI) Treatment Program, which serves as a diversion from prison admissions.
- Pretrial release and presentence investigations.

The Code of Iowa requires the DOC and CBC District Departments to provide:

- Education programs
- Day programming and electronic monitoring
- Pretrial release and presentence investigations
- Jail inspections
- Prison industries and farms
- Residential facility-based OWI treatment
- Violator and Violator Aftercare Programs
- Interstate Compact

Mr. Baldwin provided a brief history of the State's compliance with federal court orders regarding the prison system. The DOC is in compliance with all consent decrees. This includes the Goff vs. State of Iowa case, which deals with the Iowa State Penitentiary at Fort Madison and the conditions of special needs offenders. Construction of the 200-bed Clinical Care Unit at Fort Madison is completed and the DOC is starting to operate the building in phases. Construction planning has begun on the 170-bed Special Needs Unit at the Iowa Medical Classification Center at Oakdale.

Federal courts usually review cases involving cruel and unusual punishment or due process. The court looks at issues of confinement and conditions:

- Health care and mental health
- Interaction with others and treatment programs
- Food, exercise, and religion
- Discipline and movement within the prisons
- Housing and overcrowding. The federal courts have generally shown concern when overcrowding is within 120.0% to 130.0% of design capacity. The State prison system is currently operating at 123.0% of capacity.

Board of Parole

The Board of Parole provided an overview of its operations. Executive Director Clarence Key stated the Board's mission is to reintegrate offenders into the community who can be released from prison without detriment to the public or themselves. He also distributed the annual report. The Board:

- Performs risk evaluations for prison inmates, holds hearings with eligible inmates, and selects viable candidates for conditional release on parole and work release.
- Revokes conditional releases to return to prison those offenders who fail on parole or work release.
- Provides an early release program for offenders convicted of certain property offenses.
- Notifies victims of relevant information no less than 20 days before a parole hearing, so that victims' opinions may be considered when making conditional release decisions.
- Advises the Governor on matters of executive clemency.

Board Chair Elizabeth Robinson stated that every time the General Assembly increases penalties for existing offenses, the Board's workload increases. She mentioned the Board's proposed legislation to increase the penalty for assault on a Board member. The proposal provides the same protection to Board members that under current law is granted to peace officers, jailers, correctional staff, health care providers, and fire fighters.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Dean (Ext. 17846)

**TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS
APPROPRIATIONS SUBCOMMITTEE****Capitals Subcommittee**

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met January 29. The Subcommittee heard a presentation from the Department of General Services regarding the status of currently funded capital projects. The projects are summarized below:

- \$15.8 million was appropriated in FY 2003 for major maintenance projects to State facilities throughout the State. The funds are prioritized and allocated by the Governor's Vertical Infrastructure Advisory Committee. The Committee also allocates funds for routine maintenance of State facilities; however, no funds were appropriated for routine maintenance in FY 2003.
- A total of \$12.7 million was appropriated over several years for construction of the parking structure at the corner of Penn and Grand. The facility will be open in mid-February.
- A total of \$51.2 million has been appropriated over a three-year period for construction of a State laboratory facility in Ankeny. The facility will house the State Medical Examiner, the Division of Criminal Investigation (DCI) Crime Lab, the University of Iowa Hygienic Lab, and the Department of Agriculture and Land Stewardship's laboratory.
- A total of \$21.2 million has been appropriated through FY 2002 for renovation and restoration of the Capitol interior. An additional \$11.2 million was appropriated for FY 2003 and FY 2004 to begin renovation on the northeast quadrant of the Building.

- A total of \$40.5 million was appropriated over a 20-year period to complete restoration of the Capitol Building exterior.
- A total of \$17.3 million was appropriated over several years to complete the renovation of the Lucas Building. Renovation is approximately 99.0% complete.
- A total of \$21.4 million was appropriated over several years to complete the renovation of the Ola Babcock Miller Building. Renovation is approximately 99.0% complete.

The Department also discussed future infrastructure improvement needs to facilities on the Capitol Complex. These projects include:

- \$12.4 million to complete the renovation of the Records and Property Building. The Department was appropriated \$1.6 million for FY 2003 for planning and design costs.
- \$31.7 million to complete the renovation of the Wallace Building.
- \$22.5 million for repairs to the Capitol Complex tunnel system.
- \$16.1 million needed to renovate the Grimes Building.
- \$1.2 million to construct a pedestrian bridge across Court Avenue.
- \$5.0 million for paving repairs to streets, sidewalks, parking lots, and drives.

More Information

Copies of minutes and handouts can be obtained from the LFB or by visiting the web site at: <http://staffweb.legis.state.ia.us/lfb/>

STAFF CONTACT: David Reynolds (Ext. 16934) Mary Beth Mellick (Ext. 18223)

GOVERNMENT OVERSIGHT COMMITTEE

Committee Meeting

The Government Oversight Committee met on January 28 and 29.



On January 28, the Committee heard presentations and discussed the following:

- Bill Angrick, Citizen's Aide Ombudsman, discussed issues related to enforcement of the open meetings law and the role of his Office
- Committee review of topics to be considered by Oversight in 2003 and additional items submitted by Committee Members and other Legislators for consideration.

On January 29, the Committee heard a presentation from Bob Rafferty, Chair, Program Elimination Commission, and discussed the Commission report.

More Information

Copies of agendas, handouts, and minutes of the Committee meeting are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/committee/oversight/oversight.htm>.

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SENATE FILE 36 PASSES THE HOUSE**FY 2003 Supplemental**

Senate File 36 (FY 2003 Non-Medicaid Supplemental Appropriations Bill) passed the House on January 29. The Bill makes FY 2003 General Fund supplemental appropriations of \$19.5 million as follows:

- Department of Human Services - \$8.9 million for:
 - Child and Family Services - \$5.7 million for:
 - Shelter Care Services - \$1.0 million increase
 - Family Centered Services - \$1.6 million increase
 - Family Preservation Services - \$7,000 decrease
 - Adoption Services - \$29,000 decrease
 - Adoption Subsidies - \$1.8 million increase
 - Family Foster Care - \$518,000 increase
 - Group Care - \$60,000 increase
 - Independent Living - \$70,000 increase
 - Replace lost federal funds - \$638,000 increase
 - Mount Pleasant Mental Health Institute - \$165,000 to maintain the 30-bed Substance Abuse Treatment Program.
 - Glenwood and Woodward State Resource Centers - \$3.0 million for the operating budgets.
 - Department of Corrections - \$6.6 million for the nine Institutions, four of the eight Community-Based Corrections (CBC) District Departments, and Central Office. Funding includes:
 - Support budget increase of \$1.6 million at the Anamosa State Penitentiary and Iowa State Penitentiary at Fort Madison.
 - \$5.0 million to restore the furlough reduction for the nine Institutions, Central Office, and the First, Second, Third, and Eighth CBC District Departments.
 - The Bill includes language that permits the Department to retain federal receipts in excess of \$3.4 million. The Department currently holds federal detainees and the U.S. Bureau of Prisons reimburses the General Fund approximately \$3.4 million. Language included in SF 36 permits the Department to retain any amount generated in excess of \$3.4 million. The proposed language may generate no more than \$200,000 in FY 2003. The Department plans to use these funds to partially offset the furlough reductions at Newton and Fort Dodge Correctional Facilities.
 - Office of the State Public Defender - \$2.3 million for the Indigent Defense Fund due to the increasing number of cases and claims.
 - Department of Public Safety - \$1.7 million to restore the furlough reductions in the Divisions of Administration, Criminal Investigation, Narcotics Enforcement, the Office of the State Fire Marshal, and the Iowa State Patrol.

The House deleted the FY 2003 supplemental appropriation of \$280,000 for matching grant funds to the Public Broadcasting Division for digital conversion of Iowa Public Television broadcasts.

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ISSUE REVIEW – ROAD USE TAX FUND REVENUE UPDATE

Issue Review



The LFB recently completed an **Issue Review** on the Road Use Tax Fund, including background information, the types of programs funded through the Fund, and forecasted revenues for FY 2003 through 2007. The **Issue Review** also includes information on HF 716 (Ethanol Sales Promotion Act), passed by the 2001 General Assembly.

Road Use Tax Fund

In FY 2002, \$1.036 billion was collected and distributed through the Road Use Tax Fund. The funds are distributed by formula to the Primary, Secondary, Farm-to-Market, and Municipal Road Funds, which are used by State and local jurisdictions for the construction and maintenance of roads. Before the revenues are distributed to the road funds, however, various allocations and appropriations are made from the Fund for programs, equipment purchases, and Department operations (referred to as “off-the-top” allocations). The following table illustrates total Road Use Tax Fund revenues for FY 2002, and the estimated five-year revenue forecast.

**Road Use Tax Fund
 Revenues
 (Dollars in Millions)**

	Actual FY 2002	Estimated FY 2003	Estimated FY 2004	Estimated FY 2005	Estimated FY 2006	Estimated FY 2007
Motor Vehicle Use Tax	\$ 231.4	\$ 230.7	\$ 232.1	\$ 237.5	\$ 243.0	\$ 244.0
Motor Vehicle Fuel Tax	399.0	398.2	400.3	401.1	401.3	402.5
Registration/Title Fees & Misc.	358.3	367.3	371.7	377.7	389.5	399.9
Underground Tank Fees	19.4	19.2	19.2	19.2	19.2	19.2
Driver License Fees	8.4	10.2	13.4	11.4	8.5	10.9
Interest	8.7	8.9	8.8	9.0	10.0	10.0
Other	10.9	11.0	11.0	11.0	11.0	11.8
TOTAL RECEIPTS	\$ 1,036.1	\$ 1,045.5	\$ 1,056.5	\$ 1,066.8	\$ 1,082.4	\$ 1,098.3

NOTE: Numbers may not equal totals due to rounding.

House File 716

House File 716

House File 716 provides a tax credit of 2.5 cents per gallon on ethanol-blended gasoline (gasohol) in stations with gasohol sales of at least 60.0% of the total annual gasoline and gasohol volume. It is estimated that these tax credits will reduce General Fund receipts by \$500,000 in FY 2003 and \$1.3 million in FY 2004.

The Bill also provides for changes in tax rates based on the gallons of ethanol-blended gasoline sold in the State between January 1 and December 31 of each year. The result will be an estimated increase of \$820,000 (0.20%) to the Road Use Tax Fund in FY 2003. The increased revenue will

be used to offset losses in Road Use Tax Fund revenues due to the increasing market share of ethanol-blended gasoline.

Copies Available

A copy of the *Issue Review* is available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/> or by requesting a copy from the LFB.

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This document can be found on the LFB web site:
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>